

How many MCCA Claims have or will go over \$1 million and \$5 million?

This summary is prepared based on the information included in the MCCA Claim Statistical Data chart provided to the legislature in 2011. See Attached Chart.

This data is as of 06/30/2010, and I presume represents claims from 1978 - 2010. If you were to draw a line in the sand at that moment in time (06/30/2010), the MCCA will need to continue to pay into the future for any claims that remain open as of that time. Additionally, they would have to use real money in the future to pay out the claims. As a result, the middle chart is worth little and the bottom charts is the most important for open claims.

The bottom chart shows that the MCCA estimated that 6,506 open claims would exceed \$1 million dollars and of those, 2,897 would exceed \$5 million dollars. Additionally, by looking at the top chart, we can subtract Open Claims from All Claims to come up with Closed Claims. If we do this, an additional 689 closed claims have exceeded \$1 million of which 20 closed claims have exceeded \$5 million dollars.

In Summary, 7,195 people injured as of June 30, 2011 either have or will exceed \$1 million, while 2,917 will exceed \$5,000,000.

Summary of Chart as of 06/30/2010

| | Closed | Open | Total |
|------------------------------|--------|-------|-------|
| \$1 million to < \$5 million | 669 | 3,609 | 4,278 |
| \$5 million or more | 20 | 2,897 | 2,917 |
| Totals | 689 | 6,506 | 7,195 |

Obviously, the overall price of healthcare from 1978 – 2010 is significantly less than what one would estimate going forward – say for the period 2010 – 2042. As a result, to roll this forward and address how many people would be expected to incur more than \$1 million or \$5 million in the future, it is clear the numbers will be materially higher than those to date. Further, this would result in a significant cost shift to the State along with other significant patient related outcome issues should a low cap be introduced into the no-fault system.

Lastly, the data raises several additional questions that would be helpful to understand. For example, what inflationary, care need, and life expectancy assumptions are used in setting retentions? How has this chart further changed between 2010 and 2013? How many cases are expected to cost beyond \$10 million, \$20 million, or \$40 million? Certainly, a greater level of transparency would assist.



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Claim Statistical Data

Reported Claims*

As of 06/30/2010

Inception to 06/30/2010 paid to date based on first dollar paid, excludes future costs:

| Range | All Claims | % | Open Claims | % |
|----------------------------------|---------------|--------|----------------|--------|
| 1 <=\$250,000 | 11,596 | 45.4% | 3,219 | 25.2% |
| 2 >\$250,000 and <=\$500,000 | 6,947 | 27.2% | 4,262 | 33.3% |
| 3 >\$500,000 and <=\$1,000,000 | 3,537 | 13.8% | 2,538 | 19.8% |
| 4 >\$1,000,000 and <=\$5,000,000 | 3,336 | 13.1% | 2,667 | 20.9% |
| 5 >\$5,000,000 | 124 | 0.5% | 104 | 0.8% |
| | 25,540 | 100.0% | 12,790 | 100.0% |

Based on Retention + MCCA Paid Data + Discounted Reserves as of 06/30/2010:

| Range | Open Claims | % |
|----------------------------------|----------------|--------|
| 1 <=\$250,000 | 1,867 | 14.6% |
| 2 >\$250,000 and <=\$500,000 | 3,708 | 29.0% |
| 3 >\$500,000 and <=\$1,000,000 | 2,491 | 19.5% |
| 4 >\$1,000,000 and <=\$5,000,000 | 3,558 | 27.8% |
| 5 >\$5,000,000 | 1,166 | 9.1% |
| | 12,790 | 100.0% |

Based on Retention + MCCA Paid Data + Undiscounted Reserves as of 06/30/2010:

| Range | Open Claims | % |
|----------------------------------|----------------|--------|
| 1 <=\$250,000 | 1,815 | 14.2% |
| 2 >\$250,000 and <=\$500,000 | 2,304 | 18.0% |
| 3 >\$500,000 and <=\$1,000,000 | 2,165 | 16.9% |
| 4 >\$1,000,000 and <=\$5,000,000 | 3,609 | 28.2% |
| 5 >\$5,000,000 | 2,897 | 22.7% |
| | 12,790 | 100.0% |

* Notes:

1) Excludes IBNR claims

Impact of HB 4612 on Small Businesses

Small Business – The Post-Acute Industry is made up of primarily a wide variety of small to medium-size businesses and independent practicing healthcare professionals and hospitals, both for-profit and not-for-profit. The vast majority of which I am referring to provide specialty services to people with brain and spinal cord injuries, many of whom are injured at a young age. While HB 4612 has many obvious and devastating consequences to people recovering from serious auto accidents, my comments are limited to a few of the provisions under HB 4612 and their impact on these small businesses and jobs.

Financial Impact of \$1,000,000 Cap on PIP

The majority of our business is performed after patients incur \$1 million of PIP – many patients with a moderate to severe brain or spinal cord injury will incur in excess of \$250,000 in medical treatment before reaching our doors.

We estimate that 70 to 75% of our revenue is for the care and treatment of patients who have used up in excess of \$1 million of benefits during their lifetime.

Many brain and spinal cord injury patients will have long term care needs which can exceed \$10, 20, or even \$40 million dollars in a lifetime.

The MCCA has produced information that shows that as of 06/30/2010, approximately 7,195 people have or will incur more than \$1,000,000 in their lifetime, while 2,917 will incur more than \$5,000,000.

Impact on post-acute industry –

- 70% of the market we serve will go away going forward, as individuals would not have the resources to pay for the services
- The market in the industry would shrink year after year as those individuals newly injured exhaust their benefits and go without appropriate rehabilitation or care
- I estimate our business will decline by 25% in the next few years as a result of this Cap, and then further decline 3 to 5% thereafter
- This would result in approximately 200 jobs lost at our company alone

Allowable Expense Reduction – Products, Services, and Accommodations & lasting improvement

Page 35 states that the products, services, or accommodations must be reasonably likely to result in meaningful and measurable lasting improvement in the injured person's functional status, or the insurer is not required to provide coverage. This would be retroactive to *all* people injured in the past and receiving services today.

Many people we care for need intensive support, supervision, care, services, accommodation and treatment, to *maintain* their functional status. This provision requires *meaningful and measurable lasting improvement*. That is unfortunately an unrealistic expectation for many people in this situation.

Impact on post-acute industry –

- This is game over for the Post-Acute Industry and for the vast majority of those individuals currently receiving products, services, or accommodations under the no-fault law
- Approximately 80% of our patients are over two years post injury
- This would eliminate 100% of our care, accommodation, and treatment for individuals with long-term care needs
- Industry wide, residential patients would require discharge to Medicaid funded facilities, that are ill equipped to handle the patient needs
- Most businesses would not be able to absorb this dramatic change and this would result in mass layoffs and bankruptcies
- The estimated impact would be Every Job lost at our company alone

Allowable Expense Reduction – Rehabilitation Limitation – 52 to 104 weeks and Significant

Provisions on page 36 limit rehabilitation services to a period of not more than 52, or 104 weeks, and require a new standard of Significant Rehabilitation or Significant Measurable Improvement. This would be retroactive to *all* people injured in the past and receiving services today.

Many patients can and do benefit from therapy well beyond 52 or even 104 weeks. Additionally, many patients are able to maintain valuable function due to ongoing therapy, and therapy supports.

Impact on post-acute industry –

- This provision would result in a significant reduction in the availability for patients to access needed therapy and thus the payment for therapy services
- The estimated impact would be 50 Jobs lost at our company alone

Fee Schedules

Fee schedule Provision would result in about a 24% to 32% revenue decline for covered services

Impact on post-acute industry –

- Treatment quality would be diminished, as healthcare providers would be required to perform the same services with significantly reduced resources to accomplish goals
- Businesses will struggle to attract and retain quality employees skilled in working with individuals who have neurologically impairments
- This would result in approximately 75 to 100 jobs lost at our company alone

Overall

The impact of this bill on the post-acute industry and the public would be devastating.

- Job Impact could be 300 employees at our company alone over the next few years, and Thousands of jobs throughout the Industry
- If I understand page 35 correctly, potentially the majority of the industry would be gone
- Cost Shift of significant costs to Medicaid and other public resource demands
- This bill introduces a new tax
- 3rd Party Liability Insurance Costs will Increase due to this bill
- No-fault litigation will increase
- Patient care will decline resulting in increased hospitalizations and further cost shifts to taxpayers in other ways

Michigan has a model system where tweaks should be considered

- Implement fraud provisions
- Implement timely billing requirements
- Implement electronic billing requirement
- Open the MCCA